

[The 8 insurance coverages that are triggered by a catastrophic fire](#)

Property Casualty 360

Although a little more than a month has gone by since the Avalon at Edgewater N.J.) fire on Jan. 21, insurance claims and lawsuits are likely to linger, long after the ashes have been swept away.

This kind of catastrophe usually involves several insurance carriers, policies and coverage issues. We've identified eight of the issues raised in this situation that you should be aware of. Be sure to discuss any and all possible coverages with your broker to minimize your risk.

Please let us know in the comments section if you think there are other insurance coverages or issues that also should be taken into account.

Business interruption

AvalonBay is facing significant loss of property and interruption of business operations. The company has lost rental income for an unknown period of time from approximately 200 units with monthly rents ranging from \$2,100 to \$3,195. It may take years to rebuild the units, and even longer to convince tenants to move back into a complex with a history of two fires. Other tenants in the 150 units that were not destroyed may elect not to renew their leases, further eroding the rental income base.

Employment liability

It's not clear from published reports who actually employs the maintenance workers who started the fire. If it's AvalonBay, then the employees should be covered by the company's liability insurance policy; however, the company may face claims of negligent hiring and supervision.

If the maintenance workers are employed by an outside contractor, the contractor's insurance carrier is liable, but most small contractors don't carry the multimillion-dollar policies that would be needed to cover a loss of this magnitude. If that's the case here, AvalonBay's carrier will have to absorb the loss.

Negligence in welding

The National Fire Protection Association (NFPA) has codes and standards for doing "hot work" such as welding with a blow torch. But it also has codes and standards for what to do when you've completed welding to ensure that you don't end up with a fire behind the wall. There are some open questions here,

for example:

Were the workers and the supervisor aware of the code?

Did the workers comply with the code?

Were the workers trained on the proper use of a blow torch?

If the answer to any of these questions is no, then AvalonBay's liability coverage would come into play as well as employment liability for negligent hiring or supervision.

Renters insurance

A landlord's insurance generally won't cover tenants' personal property, explains Amy Bach, Executive Director of United Policyholders, and not every renter carries insurance. Those who do will have funds to replace belongings and cover temporary living expenses, but they will need to provide an inventory of what they lost. After a traumatic loss it's impossible to remember everything you had, so most people struggle to collect insurance benefits in full.

Limits on coverage can also create issues, says Bach. Renters' policies typically cap coverage for computers, jewelry, fine art and high value items not listed specifically on a personal property schedule. Some things you might not think about include the expensive wines you were saving for a special occasion, or family heirlooms. A bigger issue for many people are the things you can't put a price on, like family photos or that ceramic candy dish your child made in kindergarten.

Have you made improvements to your apartment that made it worth more than your neighbor's? For example, did you build bookshelves or upgrade appliances? If so, the limits in the tenant policy may not be adequate to cover the improvements.

Additional named insureds

Some tenants might choose to rent furniture instead of buying their own, for example, if they've moved for a short-term corporate assignment. The website for the apartment complex noted that Avalon partnered with Cort Furniture Rental to make it easier for tenants to furnish their apartments. If tenants rented furniture they might not have to name the furniture rental company as an additional insured. Any damage might be covered under the tenant's policy, in the section that provides coverage for the property of others. But this would not increase the total amount of coverage available to the renter.

Loss of use

Tenant's policies generally provide for loss of use of the premises. This coverage would pay for a hotel or other living arrangements for a period of time while the apartment is unavailable. This applies to tenants whose apartments were damaged as well as those that were destroyed, notes Bach.

"Your apartment might not have been damaged, but you may not have running water or electricity. Or the fire marshal may not allow you back into the building because the entire complex isn't safe. Or you

may be dealing with smoke and water damage that could lead to mold and may need to be remediated.” You have to ask whether there are limits to the coverage. Generally, loss-of-use policies pay for a certain length of time or a certain dollar amount, whichever comes first. For the displaced tenants, they need to know how long the policy will pay and how much. With a total loss, they may not be fully compensated for all their expenses.

Home-based business

Many people operate businesses out of their home, and they may have had renter’s insurance for their contents and liability, but did they have coverage specifically for their business? Most home-based business owners don’t think about specific policies for equipment used in the business or inventory that might have been stored in their apartment. Home-based businesses also don’t carry business interruption insurance. If you’re the business owner/tenant of an apartment that has been destroyed, you have to be concerned about putting your business back together as well as your personal life.

Motor vehicles owned by tenants or visitors

Motor vehicles parked on the premises that were damaged by the fire should be covered by the owners’ automobile policy, Bach explains. Then the auto insurance carrier would be subrogated to Avalon’s carrier for coverage.

What’s missing?

What additional insurance coverage do you think could be important after a catastrophic event like a fire? Please let us know in the comments section, below.